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# OFFICIAL TRANSCRIPT OF PROCEEDINGS

P.E. ORIGINAL

**DEPOSITION OF: RALPH T. McELVENNY****Agency:**U.S. Nuclear Regulatory Commission  
Atomic Safety and Licensing Board**Title:**Safety Light Corporation U.S. Radium Corporation  
USR Industries, Inc.; USR Chemical Productions, Inc.  
USR Metals, Inc.; USR Lighting, Inc.; U.S. Natural  
Resources, Inc.; Lime Ridge Industries, Inc.  
Metreal, Inc.; (Bloomsburg Site Decontamination)**Docket No.**

030-05980, 030-05982, ET AL

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1 UNITED STATES OF AMERICA  
2 NUCLEAR REGULATORY COMMISSION  
3 BEFORE THE ATOMIC SAFETY AND LICENSING BOARD

4 - - - - -x

5 In the Matter of :  
6 SAFETY LIGHT CORPORATION :  
7 UNITES STATES RADIUM CORPORATION :  
8 USR INDUSTRIES, INC. : Docket Nos.  
9 USR CHEMICAL PRODUCTIONS, INC. : 030-05980  
10 USR METALS, INC. : 030-05982  
11 USR LIGHTING, INC. : 030-08335  
12 U.S. NATURAL RESOURCES, INC. : 030-08444  
13 LIME RIDGE INDUSTRIES, INC. :  
14 METREAL, INC. :  
15 (Bloomsburg Site Decontamination) :

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17  
18 The deposition of RALPH T. McELVENNY was taken at  
19 1:10 p.m., on Wednesday March 25, 1992, at the offices of  
20 NRC Staff, Office of the General Counsel, 11555 Rockville  
21 Pike, Rockville, Maryland 20852, before Walter R. Smith II,  
22 court reporter and notary public in and for the District of  
23 Columbia, when were present:  
24  
25

1 APPEARANCES:

2  
3 On behalf of Safety Light Corporation:

4 GERALD CHARNOFF, Esquire

5 Shaw, Pittman, Potts & Trowbridge

6 2300 N Street, N.W.

7 Washington D.C. 20037

8  
9  
10 On behalf of NRC Staff:

11 ROBERT WEISMAN, Esquire

12 Office of the General Counsel

13 11555 Rockville Pike

14 Rockville, Maryland 20852

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## I N D E X

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## E X H I B I T S

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## (P R O C E E D I N G S)

(1:10 p.m.)

Whereupon,

RALPH T. MCELVENNY

a witness was called for examination, and having been first duly sworn, was examined and testified as follows:

## EXAMINATION

BY MR. WEISMAN:

Q. Would you please state your actual name?

A. Ralph t. McElvenny, Jr..

Q. Would you give us your business address?

A. 550 Post Oak Boulevard, Houston, Texas, 7702.

Q. What is your age?

A. 50.

Q. Can you please give my a summary of your education?

A. Including primary education?

Q. You can start with post high school.

A. I graduated from Stanford University in Palo Alto, California, in 1963. From the Harvard Business School in 1965, and from the Columbia University School of Law in 1968.

Q. What was your degree from Stanford in?

A. It would be a Bachelor of Arts.

Q. What did you study as an undergraduate?

1 A. I studied liberal arts.

2 Q. I guess what I am asking is: What you did major  
3 in?

4 A. Political science.

5 Q. You got your law degree in what year?

6 A. 1968.

7 Q. Do you have any kind of formal training in health  
8 physics?

9 A. No.

10 Q. Or geology?

11 A. No.

12 Q. Any formal training in sciences?

13 A. No.

14 Q. If you could give me a summary of your job  
15 experience after you graduated.

16 A. I began as a securities analyst in San Francisco,  
17 California for a large mutual fund concern called the  
18 Insurance Securities, Inc., or the ISI corporation, as it  
19 was properly known.

20 Thereafter I was next employed in a large loans  
21 and investment company, the United Corporation, in New York  
22 City. Thereafter, I began my entrepreneurial career as an  
23 operator of subsidiary corporations of the United  
24 Corporation, which owned through Univenture, a subsidiary.  
25 About five or six different operating companies in the east

1 and western parts of the United States.

2 Q. I am not sure I am clear on the time.

3 A. Right. Immediately upon graduation I worked in  
4 the open-end investment company and thereafter --

5 Q. So that was '68?

6 A. Yes, from '68 through the 70s, and then the closed  
7 end. The difference between an open and end corporation.

8 Q. No, you don't need to explain that.

9 A. After leaving the United Corporation -- at the  
10 time when it merged with the Baldwin Company to form the ill  
11 fated United Corporation -- I moved to my first employment  
12 in a small company, which was a subsidiary of Univenture  
13 corporation, and I purchased there a small business, and  
14 began from there in the early 1980s to buy and build a  
15 series of small businesses.

16 Q. So you were --

17 A. So during the mid-1970s I purchased a company, a  
18 control position, in a company called Titan Wells, Inc.,  
19 which is a small oil and gas and production company.  
20 Thereafter, I purchased an interest in the former United  
21 States Radium Corporation, which is now known as Safety  
22 Light Corporation.

23 Then during the 1980s I purchased an interest in  
24 several additional companies, which include the Booth  
25 Financial Corporation in San Francisco, California, which is

1 now known as Robert Half International, I think. B.F.  
2 Enterprises, which was spun out from Robert Half in  
3 approximately 1988, and a series of oil and gas interests  
4 and real estate interests.

5 These would include interest in Pinnacle  
6 Petroleum, Inc, and other companies which had been combined  
7 with Pinnacle since the mid-1980s.

8 They are really too numerous to mention here, but  
9 approximately ten different companies or partnerships in the  
10 oil and gas area, which have been put together by a series  
11 of purchases or mergers, and which include several former  
12 public companies, RICO Petroleum, Limited, the Golden Oil  
13 Company. Spur Petroleum, S-P-U-R, and the oil and gas  
14 assets of Cobb Resources, Inc.

15 All those companies were public companies and all  
16 of the transactions involving those companies are detailed  
17 in documents filed with the Securities and Exchange  
18 Commission. I believe all of them have audited financial  
19 statements by recognized independent certified public  
20 accounting firms.

21 MR. CHARNOFF: I don't want to interrupt you, but  
22 you don't have to pause to follow Mr. Weisman's note taking,  
23 because that will be painfully laboring.

24 THE WITNESS: I am sorry.

25 MR. CHARNOFF: I am simply suggesting you ought to



1 talk, and if Mr. Weisman has to pause --

2 MR. WEISMAN: If there is something I need to get  
3 down, I will ask you for it.

4 MR. CHARNOFF: I think you answered the question.

5 A. I also own a privately held company called  
6 Instrument Specialties Company based in a suburb of Dallas,  
7 Texas. And various small real estate interests.

8 Q. What does Instruments do?

9 A. Instruments Company is a manufacturer of engine  
10 monitoring instruments predominantly for turbine engines.

11 Q. It doesn't have anything to do with USR  
12 Industries?

13 A. No. Neither do those other companies.

14 Q. None of the Hoyle companies, Pinnacle Petroleum,  
15 or the other companies that you named. They don't have  
16 anything to do with USR Industries?

17 A. No.

18 Q. Does USR Industries own any interest in Pinnacle  
19 Petroleum?

20 A. No.

21 Q. Did it at one time own an interest in Pinnacle  
22 Petroleum?

23 A. Yes.

24 Q. What was that interest?

25 A. USR Industries had purchased stock in Pinnacle

1     Petroleum.

2           Q.     When did USR Industries acquire that interest?

3           A.     USR Industries purchased stock in Pinnacle  
4     Petroleum around 1982 and 1983.

5           Q.     I believe we have some information on that  
6     already. How was that interest disposed of? You had said  
7     earlier that USR Industries no longer had an interest in  
8     Pinnacle Petroleum. I want to know how --

9           A.     USR Industries sold part of the interest that it  
10    had, and also through warrant offerings to its own  
11    stockholders, which were registered with the Securities and  
12    Exchange Commission -- offered rights to purchase Pinnacle  
13    stock of, and subscribed to by U.S. R shareholders, and over  
14    the years, at times when USR Industries fell under financial  
15    pressure and did not have great liquidation available to it,  
16    the stock of Pinnacle Petroleum was used as non-cash  
17    consideration to pay USR Industries directors for the  
18    services, and in part to pay non-cash portions of salaries.

19          Q.     So then it was used -- some part of the stock was  
20    used for director's fees?

21          A.     Yes.

22          Q.     And for officers' salaries?

23          A.     Yes, in lieu of cash payment.

24          Q.     When was that stock given in lieu of cash payment?  
25    About what time?

1           A.     It wasn't given. It was paid in lieu, on a  
2 regular basis, as discussed in our public filing reports,  
3 regularly over a period of several years.

4           Q.     About when did that period begin?

5           A.     In the mid-'80s.

6           Q.     When was the last of the stock distributed or paid  
7 out?

8           A.     It was fully paid out or distributed by around  
9 1989, I believe.

10          Q.     During those years, if you can just give me an  
11 approximate figure, if the director's fees had been paid in  
12 cash, what would they have been?

13          A.     Each director of USR Industries receives  
14 approximately \$10,000 per year for the services. So having  
15 between three and five directors times whatever number of  
16 years would give you the calculation.

17          Q.     What are the directors' responsibilities?

18          A.     They are the responsibilities of any public  
19 corporation, and that is to generally assist in the  
20 management of the corporation on a bar-level.

21          Q.     So they have to attend a number of directors'  
22 meetings every year?

23          A.     Directors attend directors' meetings, and also are  
24 available for consultation.

25          Q.     On the average, how many directors' meetings per

1 year did USR Industries have?

2 A. That varies.

3 Q. Can you give me an estimate of the average?

4 A. Perhaps as little as two formal meetings per year,  
5 or as many as several more than that perhaps. Six or so.

6 Q. How long would each meeting last, approximately?

7 A. Perhaps a day.

8 Q. On the average, were you one of the directors?

9 A. Yes.

10 Q. If I am not mistaken, were you the chairman of USR  
11 Industries?

12 A. Yes.

13 Q. During this time?

14 A. Yes.

15 Q. How much of your time was devoted to USR  
16 Industries, if you know?

17 A. A substantial portion of my time has been devoted  
18 to USR Industries.

19 Q. A majority then?

20 A. In some years.

21 Q. In what capacity was your time devoted to USR  
22 Industries?

23 A. As an officer and director.

24 Q. What was your position as an officer?

25 A. Chairman of the Board and Chief Executive Officer.

1 Q. You are still Chief Executive Officer?

2 A. Yes, I am.

3 Q. If you were to proportion the amount of time that  
4 you spent with your duties as Chairman of the Board, and  
5 your duties as Chief Executive Officer, how would you  
6 apportion the time spent.

7 MR. CHARNOFF: We are getting into the questions --  
8 and I really should have said this at the outset. We  
9 contend the NRC has no jurisdiction over this. He is not  
10 appearing here in that regard. He is prepared to talk about  
11 USR and would be responsive to your questions, but I want  
12 you to understand and the record should understand. This is  
13 a cooperative appearance by Mr. McElvenny and is in no way a  
14 waiver of statement of jurisdiction over him, or USR  
15 Industries.

16 MR. WEISMAN: We recognize your arguments, and you  
17 will get to make those to the board and the commission.

18 MR. CHARNOFF: Thank you.

19 A. To answer the question, it is very hard to  
20 apportion realistically what percentage of time was spent in  
21 what capacity.

22 Q. Are the other directors also officers of USR  
23 Industries?

24 A. No, they are outside directors.

25 Q. Do you have any idea how much time those directors

1 spend on USR Industries' business?

2 MR. CHARNOFF: Today or any year?

3 MR. WEISMAN: In the time period we have been  
4 talking about.

5 MR. CHARNOFF: Some years 2 meetings, some years 6  
6 meetings, so do you want an average?

7 MR. WEISMAN: I am asking him to estimate an  
8 average.

9 MR. CHARNOFF: Taking all those considerations into  
10 consideration?

11 MR. WEISMAN: Yes.

12 A. I am sure it takes as much time as a Director in  
13 most small businesses.

14 Q. Is that two working weeks, or four working weeks?

15 A. I think it is very hard, Mr. Weisman. I can't  
16 give you any answer as to hours or weeks or minutes.

17 Q. Okay. I need to go back and ask you some  
18 questions about your experience with the United Corporation.  
19 You started doing that approximately when?

20 A. It is so long ago now, it is hard to recall.

21 Q. Was that in the '70s?

22 A. Yes.

23 Q. I thought you said the early '70s?

24 A. Yes, the early '70s.

25 Q. When did the United Corporation merge with

1 Baldwin, if you recall?

2 A. It would have been around 1973.

3 Q. At that time I thought that you said you left to  
4 work on your own small company?

5 A. Yes.

6 Q. And that was a subsidiary of Univenture?

7 A. Univenture was a subsidiary of the United  
8 Corporation. I was appointed as a vice-president and  
9 director of Univenture. So my time was spent substantially  
10 working with the Univenture companies.

11 At the same time I was the assistant secretary, I  
12 believe, of the parent company, United Corporation, so I did  
13 spend some time with United, but with the wholly-owned  
14 subsidiary Univenture, and the operating companies.

15 Q. I guess I misunderstood.

16 A. I then went off to get an interest in my first  
17 small company from United Corporation.

18 Q. I see. And that was purchased in approximately  
19 '73?

20 A. Yes.

21 Q. What company is that?

22 A. Titan Wells, Inc.

23 Q. Do you still have an interest in Titan Wells?

24 A. Yes, I do.

25 Q. When was it you purchased your interest in U.S.

1 Radium?

2 A. Let me see. Around 1977 to 1978.

3 Q. Sometime in that time frame. Does Titan Wells  
4 have any interest in U.S. Radium?

5 A. There is no U.S. Radium.

6 Q. At that time did Titan Wells have any interest  
7 when you purchased it in U.S. Radium?

8 A. What do you mean? I don't understand the  
9 question.

10 Q. When you purchased your interest in U.S. Radium in  
11 1977 or '78, did Titan Wells also purchase an interest?

12 A. The stock in U.S. Radium was purchased  
13 substantially by Titan Wells, Inc.

14 Q. Did Titan Wells make those purchases from anyone  
15 individual, or were they on the open market?

16 A. They were open market purchases predominantly,  
17 with some negotiated purchases.

18 Q. When you say predominantly, was that 75 percent on  
19 the open market, if you can recall?

20 A. I can't recall a specific number.

21 Q. Would any of those transactions be in public  
22 records like at the SEC?

23 A. The transactions are in public records. The whole  
24 history of the United States Radium Corporation is in public  
25 records.



1 Q. So that should be in the SEC files?

2 A. Correct.

3 Q. At that time, when you made the initial purchase,  
4 I guess when Titan Wells made the initial purchase, what  
5 percentage of the U.S. Radium stock did you buy?

6 A. I think the percentage gradually increased over a  
7 period of time, to a total of something on the order of 25  
8 percent of the stock of U.S. Radium.

9 Q. So initially it was something less than that, and  
10 gradually increased. U.S. Radium was a very small company,  
11 so that purchase did not involve a great deal of money by  
12 the standards of small corporate transactions.

13 Q. Give me an approximation of how much it was?

14 A. It would be several hundred thousand dollars.

15 Q. That was for the entire 25 percent share?

16 A. Yes. I believe the market value of U.S. Radium  
17 during the '70s for the entire company at times was about  
18 \$1.2 million for the entire company.

19 Q. Did you have any partners or associates who also  
20 purchased an interest in U.S. Radium at that time?

21 A. Titan Wells, Inc. was the purchaser of the stock  
22 in which I was interested. As often happens, when a buyer  
23 takes a position in a company, other stockholders come to  
24 the buyer, when the news is announced publicly they speak  
25 with the buyer, usually about selling the buyer their stock,

1 or have the buyer answer questions of other types.

2 In this connection other stockholders did come  
3 forward over a period of years and talk with me. They  
4 weren't really partners. There was an investment banking  
5 firm in New York which had had, I discovered, a prior  
6 interest in the stock of the United States Radium  
7 Corporation, and I believe they may have bought more of the  
8 stock at the same time than I had bought.

9 Q. What firm was that?

10 A. The name of the firm was Aronson Wolcott and  
11 Company, Inc.

12 Q. But they were not partners of yours before you  
13 purchased your interest?

14 A. No.

15 Q. Were there any other stockholders who owned a  
16 substantial portion of the stock? I will say more than,  
17 say, 5 or 10 percent?

18 A. With a company whose total value is 1.2 million,  
19 or so, it would be unusual not to find other persons that  
20 owned 5 percent, since that would only be \$60,000 in market  
21 value.

22 I think other persons bought stock in United  
23 States Radium Corporation for sure during the course of the  
24 two-year period it was listed on the American stock  
25 exchanged.

1 All of the ownership records are disclosed in the  
2 proxy statement, and, I believe, at that time a lawyer with  
3 whom I have worked, but who is not a partner, Brian Burns,  
4 had purchased some stock, and it may have been more than 5  
5 percent at one time.

6 Q. Was Mr. Burns an officer of the company?

7 A. No.

8 Q. Was he a Director?

9 A. Yes. He was later appointed a Director, but not  
10 during that time frame.

11 Q. When was he appointed a Director?

12 A. I think 1978, in the middle of the year, I  
13 believe. Again, that information is set forth in full, and  
14 absolutely accurately in the statements of United States  
15 Radium Corporation for those periods.

16 Q. You had also mentioned Booth Financial. It is now  
17 called Robert Half. Did Booth Financial have any  
18 relationship to U.S. Radium in '77 or '78.

19 A. No.

20 Q. Has it had any relationship since that time, any  
21 ownership interest?

22 A. By Booth Financial and U.S. Radium, or U.S. star  
23 industries?

24 Q. Yes.

25 A. No.

1 Q. Vice versa?

2 A. Yes.

3 Q. So U.S. Radium or USR Industries has had an  
4 ownership interest in Booth Financial?

5 A. Yes. Booth Financial Corporation was one of the  
6 outstanding success stores of the 1980s of the United  
7 States, and fortunately for USR Industries, it was able to  
8 own some stock in Booth Financial Corporation.

9 Q. What did Booth Financial -- what was its business?

10 A. Booth Financial Corporation's business was  
11 diversified real estate and finance.

12 Q. Does USR Industries still own that interest?

13 A. No.

14 Q. How was that interest disposed of?

15 A. It was sold.

16 Q. Sold on the market?

17 A. Yes.

18 Q. The Pinnacle Petroleum stock that was distributed  
19 through warrant officers to --

20 A. Sold through warrant officers.

21 Q. Sold through warrant officers to USR Industries  
22 stockholders, was there any particular reason why it was  
23 done that way?

24 MR. CHARNOFF: I thought he answered that when he  
25 said it was sold to raise cash when USR Industries was not

1 liquid.

2 MR. WEISMAN: I had forgotten that.

3 MR. CHARNOFF: That's what he had answered.

4 BY MR. WEISMAN:

5 Q. When was stock distributed in lieu of cash to the  
6 Directors owed?

7 A. Again, it wasn't distributed, it was paid.

8 Q. As fees?

9 A. True.

10 Q. Or for officers' salaries?

11 A. Yes.

12 Q. Was there any reason why the stock wasn't just  
13 simply sold on the market, and then the cash distributed?

14 A. It's quite a bit more complicated to sell over a  
15 short period of time. Pieces of a stock position in a small  
16 public company, such as Pinnacle Petroleum was done like  
17 that.

18 It is more orderly and better corporate  
19 housekeeping, generally, to use the stock itself as  
20 non-consideration, than it would be to go through a series  
21 of small sales at various times at short notice. And I will  
22 liquid over the counter market, such as that for Pinnacle  
23 Petroleum.

24 Q. If I understand your answer, what you are telling  
25 me is Pinnacle Petroleum was thinly traded over the counter

1 and to sell a large amount of stock would artificially  
2 depress the price, such that the sale wouldn't realize the  
3 true value of the stock, is that in it in a nutshell?

4 A. I don't think that is quite right. Pinnacle  
5 Petroleum had, I believe, three or 4 thousand stockholders,  
6 and at times enjoyed a quite active market. However, that  
7 market varies as to its liquid with the ups and downs of  
8 markets generally, and with conditions in the oil and gas  
9 industry.

10 Since the Pinnacle stock was used as consideration  
11 of a non-cash nature, in order to conserve cash in USR on a  
12 fairly regular basis, it would have been necessary to be  
13 selling very regularly. Sometimes advantageous prices, and  
14 sometimes prices not so advantageous. It was simply felt to  
15 be more orderly to have USR Industries pay shares than  
16 attempt to constantly sell.

17 Q. I haven't got the business background that you do,  
18 and I am trying to understand the reason for the  
19 transaction. Let me see if I can repeat it to you to make  
20 sure I understand it.

21 Is the idea that the market may not be as orderly  
22 with, if U.S. Radium were selling, constantly going into the  
23 market to sell shares?

24 A. I don't think, Mr. Weisman, U.S. Radium owned any  
25 stock of Pinnacle. Pinnacle was purchased at a time when

1 U.S. Radium had by come by its new name, "Safety Light  
2 Corporation." USR Industries was the purchaser and owner of  
3 the Pinnacle common stock.

4 Q. Excuse me then.

5 A. The companies are very important. I think that is  
6 a very important distinction.

7 Q. We are talking about the period then in the 1980s,  
8 USR Industries ownership of Pinnacle stock. If I said --

9 A. Early to mid-'80s.

10 Q. If USR Industries, then, was going into the market  
11 selling Pinnacle stock, the market it seems would not be as  
12 orderly, that would not be an orderly transaction in the  
13 same way as distributing the stock to the stockholders?

14 A. No, I don't think that is quite it. Remember that  
15 some of the amounts paid to directors were relatively small.  
16 They would be payable monthly or quarterly. Say you would  
17 have a fraction of the \$10,000 annual amount, as little as a  
18 quarter or even a twelfth of that amount. That small amount  
19 would not be efficient to raise by selling little dribbles  
20 and dabs out into the market.

21 It is much more orderly, as a matter of corporate  
22 house keeping, just to take shares and give the share  
23 certificates, and new cash payment to the director or  
24 officer involved.

25 I might also add that there may have been

1 questions about the ability of USR Industries to sell shares  
2 of Pinnacle in the open market on a relatively steady or  
3 small series of transactions basis. You have a number of  
4 very technical rules, which are designed to report all such  
5 rules, and they may have a restrictive affect on other  
6 transactions that the company, that is USR Industries, Inc.,  
7 might want to have.

8 Q. I guess I am not quite following you. I just want  
9 to try to understand.

10 A. You are belaboring a similar point.

11 Q. I am sorry I can't understand it. If you can  
12 explain to me where is the efficiency, what is the benefit  
13 of doing it that way?

14 A. It is avoidance of an inefficiency.

15 Q. What is the inefficiency that you are avoiding?

16 A. Again the inefficiency that is avoided is to have  
17 a series of dribbles and dabs of stock being offered on an  
18 over the counter market by one seller at a time, when  
19 instead of making those sales in varying amounts and at  
20 varying times, but regularly throughout the year, USR  
21 Industries could simply transfer a certificate representing  
22 a number of shares to the director or officer in lieu of  
23 cash payment.

24 Q. Are you saying selling the stock on the market  
25 would involve a higher transaction cost?



1           A.    It would involve a higher transaction cost,  
2 especially for small amounts of money, yes, but that wasn't  
3 the only reason.

4           Q.    How was the value of the stock determined when it  
5 was distributed to the officers and directors, when it was  
6 paid out?

7           A.    I think it was at market value.

8           Q.    I should have asked that question first.

9           A.    True.

10          Q.    When you and Titan Wells first acquired an  
11 interest in U.S. Radium, did you then take a position with  
12 U.S. Radium?

13          A.    I don't understand the question.

14          Q.    When Titan Wells first acquired its interest in  
15 U.S. Radium in '77 or '78 --

16               MR. CHARNOFF: They bought stock over a period of  
17 time in '77 and '78. Are you asking did he become an  
18 officer?

19               MR. WEISMAN: I will rephrase the question.

20               BY MR. WEISMAN:

21          Q.    When did you first become an officer or director  
22 of U.S. Radium?

23          A.    I think during the fall of 1978.

24          Q.    Fall of 1978. What position did you first take?

25          A.    I was named a director.

1 Q. When were you first named as an officer of U.S.  
2 Radium?

3 A. Later that year I became vice-chairman of the  
4 board. I can't remember whether that is an officership  
5 position or a board position.

6 Q. What were your responsibilities? What was your  
7 role in that position?

8 A. Basically that of a director.

9 Q. Did you ever have any role in the day-to-day  
10 operations of the corporation?

11 A. Of U.S. Radium corporation?

12 Q. Yes.

13 A. Yes, I did, Mr. Weisman, I was Chairman of the  
14 Board, a Chief Executive Officer.

15 Q. When did that start?

16 A. I was elected during the very end of 1978.

17 Q. That was when you were Chairman of the Board and  
18 CEO; is that correct?

19 A. Yes.

20 Q. Thank you. Who reported to you?

21 A. In a small corporation like that, the reporting is  
22 typically pretty informal. U.S. Radium at that time fell in  
23 that category.

24 Q. How was U.S. Radium organized at that time?

25 A. At that time there was an administrative office in

1     Morristown, New Jersey, and then there were several  
2     constituent plants in separate locations. Each one of which  
3     essentially had its own separate product line, and its own  
4     separate divisional business.

5           Q.     So there were several different divisions then?

6           A.     Yes, I think there were three separate ones.

7           Q.     Did each division have a separate manager, if you  
8     will?

9           A.     Yes.

10          Q.     And that individual would report to you?

11          A.     They reported informally to me, yes.

12          Q.     And then, as I understand it, you had corporate  
13     staff in Morristown?

14          A.     It is Morristown with an "M." There was a small  
15     accounting and secretarial staff in Morristown.

16          Q.     The accounting staff, did they report to you?

17          A.     As Chief Executive Officer, theoretically, if a  
18     question or a matter came up, it would be eventually  
19     reported to me.

20          Q.     So you were the financial management in  
21     Morristown?

22          A.     Yes.

23          Q.     And the day-to-day operations of each division was  
24     wherever that divisions plant was located?

25          A.     Correct.

1 Q. Can you tell me what you knew about the operation  
2 at Bloomsburg in late 1978 when you were elected chairman,  
3 and became CEO?

4 A. In Bloomsburg there were two divisions. The  
5 metals fabrication division and the so-called nuclear  
6 division.

7 The metals fabrication division manufactured  
8 decorative dials and anodized products for metal working.

9 The nuclear division was at that time essentially  
10 a manufacturer of aircraft safety lighting products. That  
11 is the exit signs that are commonly seen on airliners.

12 Q. Yesterday, Mr. Miller told me the two main  
13 products were aircraft cabin markers, and exit signs for  
14 construction for commercial buildings. Those are the two  
15 product lines that they were making in 1978.

16 A. Yes. I think they had some exit signs which were  
17 used in commercial buildings. I believe most of them were  
18 used for aircraft, but Mr. Miller succeeded in growing the  
19 business tremendously and changing around the product  
20 business. So he would know better than I.

21 Q. At that time, when you became -- when you were  
22 elected chairman and CEO, what did you know about the  
23 condition of the site at Bloomsburg?

24 A. Can you be a little more specific with that  
25 question?

1 Q. Did you know about the contamination from previous  
2 operations?

3 A. What I had learned was essentially what anyone can  
4 see by going on the site. Namely, that there were large  
5 restricted areas marked by fences in the back of the site,  
6 which had signs on them that said, "Radioactive materials  
7 stored here, do not trespass," et cetera. Something to that  
8 effect.

9 I knew that U.S. Radium had at one time handled  
10 products which had radium in them, but that had not been --  
11 the company had not handled any radium products for many  
12 years. I believe over a decade had elapsed to 1978/'79  
13 without having handled radium.

14 It was clear to me that there were areas of a  
15 wooden building in Bloomsburg which had residual  
16 contamination in them from the normal work that the U.S.  
17 Radium company had done with products containing radium in  
18 by-gone years. These seemed to be very well handled by  
19 programs which had defined and restricted access to the  
20 areas.

21 Q. Did you know about the licenses back in '78 when  
22 you became CEO?

23 MR. CHARNOFF: NRC licenses, or AEC.

24 Q. NRC licenses?

25 A. I knew that the nuclear division was a licensed

1 regulated business that was clearly stated in the U.S.  
2 Radium annual reports and filings and had been for a number  
3 of years.

4 Q. Of did you have, from the time you became CEO  
5 until, we will say, until the time of the reorganization in  
6 1980. And I will refer to the transaction that occurred in  
7 August of 1980 as the 1980 transaction or reorganization.  
8 From the time you became CEO until that August 1980  
9 reorganization, did you have any contact with the NRC?

10 A. Yes, we had, or I had one contact with the NRC.

11 Q. What was the nature of that contact?

12 A. I visited NRC headquarters in Washington. I can't  
13 remember being at this building. I think it was at a  
14 different building, and I accompanied one of the managers  
15 from the nuclear division at that time to see the NRC, with  
16 respect to the number one problem of the division at that  
17 time, which was tritium emissions.

18 Q. So that meeting with the NRC was regarding the  
19 ongoing operations?

20 A. Yes. It was regarding the methods to be used to  
21 reduce tritium emissions, as was reasonably achievable at  
22 that time.

23 I remember that was filed in the American Atomics  
24 incident out in Arizona, where a lot of concern was paid to  
25 the levels of tritium releases. And I think the potential

1 problems of tritium releases came to the for --

2 Q. I am sorry, I think I missed a little something in  
3 your answer, when you referred to American Atomics?

4 A. At that time there was great concern in the media  
5 and at the NRC with respect to tritium emissions.

6 Q. That was because of -- at least you perceived that  
7 was in part because of what happened at American Atomics?

8 A. Yes, I think that has something to do with it.

9 Q. What was your role in the meeting with the NRC?

10 A. Observer.

11 Q. You mentioned that you came with a manager from  
12 the nuclear division; who was that?

13 A. It was a guy named Terry Brown.

14 Q. Do you remember who you met with at the NRC?

15 A. No.

16 Q. Was Mr. Brown in charge of the licensed operations  
17 run by the nuclear division?

18 A. He was the manager of day-to-day operations at the  
19 time that I came into the position of being Chief Executive  
20 Officer in the United States Radium Corporation.

21 Q. He reported to you?

22 A. Theoretically he did.

23 Q. Theoretically. Did he in fact report to you?

24 A. That's unclear. We had a lot of problems with  
25 him. I believe he created great problems in his division,

1 just at the time when I had been appointed as Chief  
2 Executive Officer. I did not hire Mr. Brown. He was  
3 already there.

4 Q. So did he keep you informed of what was going on  
5 in the nuclear division?

6 A. I am not sure whether Brown told me everything  
7 that he knew. As a matter of fact, I am sure he did not  
8 tell me everything that was going on. He did not keep me  
9 informed, no.

10 Q. What were his duties as a manager of the nuclear  
11 division?

12 A. Manager of the nuclear division at that time was  
13 concerned with reducing tritium emissions, and maintaining  
14 an internal health physics program for the employees, and  
15 making sure the machinery did the construction of the exit  
16 signs as efficiently as possible. That sounds like a  
17 generalization.

18 I think you have to interpret it in very specific  
19 terms in this case, because there was a problem in reducing  
20 tritium emissions at plant, Number 1. There was intensive  
21 regulatory focus on the tritium emissions of the nuclear  
22 division, and any other company that made exit signs or used  
23 tritium, and there was tremendous regulatory concern about  
24 the efficiency of machinery and whether the machinery might  
25 itself cause tritium emissions. There was also concern



1 about how employees were being protected at that time. This  
2 all happened at that time.

3 I believe Three Mile Island was right around the  
4 same period. I forgot whether that took place, but it is  
5 near us, or it was near the plant at Bloomsburg, and the  
6 combination of Three Mile Island and the American Atomics  
7 incident, along with the admittedly somewhat inefficient  
8 operations of the nuclear division caused quite an intense  
9 review.

10 Q. Did Mr. Brown have, I gather -- if I were to  
11 summarize what his duties were, he essentially had three  
12 goals; that was to reduce the emissions, take care of health  
13 physics for the employees and the operation, and actual  
14 operation of the plant to produce a product.

15 A. He was responsible for whatever came up. If  
16 something else came up he would be responsible. The plant  
17 was located in Bloomsburg Pennsylvania, in the mountains of  
18 northeastern Pennsylvania, and he would be the person in  
19 charge. That was a problem, because he was not in my  
20 judgment, a very effective manager at all.

21 Q. What were his shortcomings, in your view?

22 A. At the time I didn't realize it, but I found out  
23 later he actually shut down production and never informed  
24 the management of the company. I had to find that out by  
25 other employees calling me up and telling me.

1 Q. When did that happen?

2 A. I can't recall exactly, but it was very soon after  
3 I became elected as an officer.

4 Q. Something like 1979 then?

5 A. Yes, I believe so.

6 Q. Do you remember who it was that informed you?

7 A. No.

8 Q. Just people out from the plant?

9 A. Yes.

10 Q. Did Mr. Brown have authority to make capital  
11 improvements to the plant, that is, buy equipment to reduce  
12 emissions, or things of that nature?

13 A. It would spend on how much the capital equipment  
14 cost. That was a long time ago. You are talking 14 years  
15 ago, thirteen or 14 years ago.

16 And I can't remember whether it was a formal  
17 policy as to how much he could spend or not. But he  
18 certainly had discretionary authority to spend certain  
19 amounts.

20 Q. So there may not be a formal number. Like if you  
21 spend more than X dollars, you have to get approval from  
22 someone in Morristown. But he did have discretion to spend  
23 some money?

24 A. Yes. He was managing and he had discretion to  
25 spend some money.

1           Q.    Was that kind of a relationship similar to the  
2 relationship with the managers of the other divisions; that  
3 is they took care of the operations and had some  
4 discretionary authority to spend, but for larger purchases  
5 they would have to come to headquarters?

6           A.    Mr. Brown had his own unique relationship with the  
7 management in Morristown. It was not a particularly  
8 satisfactory relationship. It is somewhat hard to  
9 characterize with the passage of so many years, what Mr.  
10 Brown did or didn't do or what he was authorized to do.

11                Generally I would characterize his attitude as  
12 being, he was empowered to make a very broad width of  
13 decisions, certainly shutting down manufacturing operations  
14 and not telling the headquarters, would not be within the  
15 powers of a general manager, as generally conceived in your  
16 standard business textbook, but that is what Mr. Brown did.

17           Q.    Did any of the other managers of the division have  
18 similar attitudes.

19                MR. CHARNOFF: That division, did you say any other  
20 managers of that division?

21                MR. WEISMAN: I meant of the other divisions.

22                MR. CHARNOFF: I see.

23           A.    No. I think U.S. Radium was facing some extremely  
24 difficult economic times, and it had lost a great deal of  
25 money during the past five or six or seven years, way before

1 he had anything to do with the company.

2 So when you look at the results of the company in  
3 1978 through 1981 or '82, because the results do not look  
4 great, one might have a tendency to blame the managers and  
5 say they are not capable.

6 I believe that many of the factors that caused the  
7 extreme duress of United States Radium Corporation and later  
8 of other companies, that will be a subject of discussion in  
9 these proceedings, were well out of control of the managers.

10 I do, with hindsight, blame Terry Brown very much  
11 for certain problems in operating the nuclear division. But  
12 I do not feel that way about most of the other managers. I  
13 did not hire them, as I did not hire Terry Brown. I think  
14 by and large they were a capable crew surrounded by extreme  
15 circumstances beyond their control.

16 Q. Did you have a closer relationship to the managers  
17 of the other divisions? I guess what I mean by that, did  
18 they report to you more consistently, did you know what they  
19 were doing?

20 A. I think their reports were more truthful. Terry  
21 Brown didn't give accurate reports as to what he was doing.

22 Q. When you say he didn't give accurate reports, do  
23 you mean he left things out. Like you said, he didn't tell  
24 you he shut down the plant. Is that the general thrust of  
25 it?

1           A.    That's one thrust. And I think he was unaware of  
2 some of the very negative impacts that he was having on  
3 personnel relations. He was such a rigid guy he would  
4 describe his relationships with his colleagues as excellent,  
5 or he would say they really respect me, when in fact, they  
6 were calling me up and saying this guy must be gotten out of  
7 here because he is ruining morale, and he is exacerbating  
8 problems and he just doesn't fit into the division at all.

9           Q.    So he just didn't, I guess the idea is, he didn't  
10 understand how to relate to the folks there at the plant; is  
11 that right?

12           A.    I wouldn't necessarily characterize it in those  
13 words, but of all the managers in the United States Radium  
14 Corporation, I would say he was the one who would have to be  
15 singled out as being well below par.

16           Q.    Did Mr. Brown ever, to your knowledge, ever  
17 intentionally mislead you, tell you something that wasn't  
18 true?

19           A.    I don't know what was going on in his head. That  
20 is a question for a psychiatrist.

21           Q.    Do you know if the information that he was giving  
22 you was not true, whether or not he intended to?

23           A.    I have know way of knowing. I don't know what was  
24 going on in his head.

25           Q.    What I meant to say --

1           A.    When a guy doesn't tell you whether he shuts down  
2 a plant, and you are the chief executive officer of the  
3 company, is that because he is concealing something? Is it  
4 because he is forgetful? Is it because he is a  
5 procrastinator? I don't know.

6           Q.    I want to try to divorce the intention from what  
7 he did or didn't tell you. Did he ever tell you anything  
8 that turned out to be just not true, to your knowledge?

9           A.    It is so long ago, I can't really bring up a lot  
10 of specific instances, but because he didn't tell me that  
11 the plant was closed, or that the gas fill machines were not  
12 up and running, I came, and especially this is with  
13 hindsight, I came not to trust what he was telling me at  
14 all. So if he would say, "I have such and such a plan to  
15 reduce oxides in stacks caused by tritium emissions," when I  
16 first came in I would give him the benefit of the doubt, and  
17 after a few months it was apparent that he was not a very  
18 good manager. And we did not give him much credence.

19          Q.    In other words, if he came in with a  
20 recommendation you might want to look for somebody else to,  
21 say -- somebody else you could trust and say how do you  
22 evaluate this.

23          MR. CHARNOFF: Do you have about twenty minutes  
24 worth. If you wanted to spend the day on it -- but it seems  
25 like we have kind of beaten this, kicked it.

1 MR. WEISMAN: We are getting there, Jerry.

2 A. We went on to try to get new management who we did  
3 hire.

4 Q. I think that's the next question. When did Jack  
5 Miller come to work for U.S. Radium?

6 A. I first met Jack Miller quite by chance, and you  
7 would have to refresh me on this, but when the American  
8 Atomics problems arose and got so much publicity I thought  
9 that there might be an opportunity to get some management,  
10 and some sales, and maybe some products from American  
11 Atomics. So I got on a plane and traveled out to Arizona  
12 and went to American Atomics plant in Tucson.

13 I just called them up cold and said I would like  
14 to come over and visit. It was really quite interesting.  
15 The plant had been stopped and there was a lawsuit for a  
16 billion dollars by a plaintiff's lawyer for contaminating,  
17 allegedly, the chocolate cake of the Arizona school  
18 children.

19 This was caused by excess tritium readings which  
20 went up the American Atomics stack, and followed down a  
21 water vapor chain from the chocolate cake factory  
22 approximately near the area of the American Atomics plant.

23 Despite that problem, and the ridiculous reaction  
24 by lawyers concerning it, which all ended up in the end, but  
25 there were some people that had very responsible jobs. I

1 met Jack Miller at that time. He was busy decontaminating  
2 the factory of American Atomics.

3 MR. CHARNOFF: I think the question was: When did  
4 you meet him, or when did you hire him?

5 A. If you tell me when the American Atomics problem  
6 was. At that time I met him, and within a relatively short  
7 period thereafter we asked him to come to consult. I  
8 believe he started out as a consultant to the nuclear  
9 division. That would have been fairly soon after the  
10 American Atomics incident which you tell me -- was it in  
11 April or May of 1979?

12 MR. WEISMAN: Let's go off the record.

13 [Discussion off the record].

14 BY MR. WEISMAN:

15 Q. What I am handing you is a letter dated June 11,  
16 1979. It is addressed to Ralph McElvenny, Jr, and it is  
17 signed by Eric M. O'dowd, and it attaches some newspaper  
18 articles regarding American Atomics, which we were just  
19 talking about. If you would just take a few minutes to flip  
20 through there, it will refresh your memory and you will know  
21 the dates and circumstances a little better.

22 MR. CHARNOFF: Let me suggest something. It is  
23 silly to read ten pages of newspaper accounts. Why don't  
24 you ask your question?

25 A. I don't know what the dates say here. Dates



1 received, June, right in there, 1979.

2 Q. So you became aware of these articles and Mr.  
3 O'dowd sent them to you, and according to the date on his  
4 letter, which is June is 11, and as a result of that, as I  
5 understand what you have told me, you got on a plane and  
6 went out to Tucson and you met Mr. Miller, and you saw what  
7 was going on at the American Atomics plant?

8 A. Yes..

9 Q. Your intention when you went out there was you  
10 were looking for some management capability?

11 A. Well, I had a number of purposes, and Number 1; I  
12 thought perhaps we might be able to find someone who would  
13 be able to consult with U.S. Radium concerning the regions  
14 Mr. Brown had been in charge of, and perhaps to do a bit  
15 better job of it.

16 Secondly, America American Atomics was a  
17 competitor and had a competitive exit sign, so it seemed we  
18 might be able to pick up some customers that they had  
19 served.

20 Thirdly, I thought that we might be able to find  
21 some new marketing people to try to get new and additional  
22 marketing channels established for the product. Fourthly, I  
23 was concerned in general about the tritium matter. I  
24 realized if a competitor was releasing excessive amounts of  
25 tritium and causing a controversy that was so great that

1 they were interviewed at their plant by 60 Minutes, and were  
2 in fact owned by a very ambitious politician at that time,  
3 Bruce Babbitt, who ran for president, that there could be  
4 very ominous indications for our plant, if we weren't, let's  
5 say a better operator than American Atomics was.

6 Q. And that was what led to American Atomics, that  
7 was one of the things that led to your coming to meet with  
8 the NRC in Washington; is that right?

9 A. That was later during the year. I think later, it  
10 would have been later, I deduced from this, during the year.  
11 The division had measured and was trying to cut down on  
12 tritium emissions. We went to Washington with what was  
13 described by Terry Brown as a new technology, which he had  
14 invented to reduce tritium emissions.

15 Q. That was after this?

16 A. I believe it was.

17 Q. Okay. When you went out to American Atomics, were  
18 they going out of business at that time, if you recall?

19 A. They were under very intense pressure. You can  
20 see in these articles there is a group demanding that  
21 American Atomics be closed. The date of that is mid-summer.  
22 I am not sure whether it was really closed right away or  
23 whether the closing came a bit later, but it was a company  
24 under extreme duress.

25 Q. Did you consider perhaps buying some of their

1 machinery?

2 A. I wanted to establish whether their machinery was  
3 worth buying, and whether it was more modern than the  
4 machinery that was in Bloomsburg.

5 I also wanted to find out who made their  
6 machinery, and whether they had more advanced manufacturing  
7 capability than did the nuclear division of the United  
8 States Radium, so we could learn from their mistakes.

9 Q. Who did make their machinery, if you recall?

10 A. I don't recall. But I believe that Jack Miller  
11 had a hand in it.

12 Q. What were Mr. Miller's responsibilities then when  
13 you met him?

14 A. At American Atomics?

15 MR. CHARNOFF: If you know.

16 A. I don't know. I don't know specifically.

17 Q. Earlier you had mentioned that he was busy  
18 decontaminating.

19 A. Obviously his main responsibility was not  
20 decontaminating. He had volunteered, I think, to stay  
21 during the period when the company was out of production.  
22 They didn't know whether production shut down would be  
23 temporary or permanent. But he was washing down the walls  
24 and so forth to get the tritium levels down.

25 Q. So he helped to do that. And did he also help

1 dispose of any equipment, if they were doing anything like  
2 that?

3 A. I just don't know.

4 Q. How did you learn about Mr. Miller's experience in  
5 the tritium business, was it through this trip?

6 A. Yes.

7 Q. How did you come to hire him?

8 A. He started out as a consultant, and it developed  
9 that he, or members of his family, had grown up near  
10 Bloomsburg, so it would appear to be the improbable move  
11 from Tucson to Bloomsburg was a bit of a natural for him.

12 And I was delighted to find someone with apparent  
13 experience who looked like he probably would fit the bill to  
14 help operations of the nuclear division, and that would move  
15 to northeastern Pennsylvania.

16 Q. As I understand it then, you approached him to be  
17 a consultant?

18 A. Yes. I think he started off as a consultant.

19 Q. When was that?

20 A. I can't remember exactly, but it would be soon  
21 thereafter. So roughly mid-to late 1979.

22 Q. What did he do for you as a consultant?

23 A. He had a very broad charge to go to Bloomsburg, be  
24 in the plant, and basically evaluate plant operations. And  
25 I believe he also was assisting with regulatory matters at

1 that time.

2 Q. What form did his evaluations of the operations  
3 take?

4 MR. CHARNOFF: You mean what did he report? Or was  
5 it in writing or oral?

6 Q. Was it an informal arrangement, or did he just  
7 call you up?

8 A. Informal.

9 Q. Did he send you written reports on what he thought  
10 was going on?

11 A. No, he didn't.

12 Q. Was he one of the people who informed you that the  
13 plant had been shut down?

14 A. No, I think the plant shut down was earlier. It  
15 was before he got there, I believe. But there may have been  
16 other shutdowns. At any time the plant was measuring  
17 tritium releases, and if there was an elevated level of  
18 releases, then the operation would be shut down immediately.

19 Q. Okay. Mr. Miller now reported directly to you,  
20 when he was a consultant?

21 A. Yes.

22 Q. Okay.

23 A. Basically he had broad latitude to assess  
24 operations and figure out what he would do to improve them.

25 Q. As I understood your answers to the previous

1 question, there may have been more than one plant shut down  
2 that you didn't know about, and Mr. Miller may have informed  
3 you about one of those?

4 A. Anything that happened after he arrived as a  
5 consultant, I believe, he quite capably and speedily would  
6 relate to me by telephone.

7 Q. When was Mr. Miller, I will call it, promoted?  
8 When did his position change?

9 A. I am sorry, but I would only be guessing. I can't  
10 remember how long he was a consultant.

11 MR. CHARNOFF: If you don't remember, you don't  
12 have to guess.

13 Q. That's fine. Do you remember when Terry Brown  
14 left, approximately?

15 A. No, not exactly, but it would be soon after Mr.  
16 Miller came aboard as a consultant, I believe.

17 Q. Was the progression, then, Mr. Miller came on as a  
18 consultant and was there for some period of time. Mr.  
19 Brown, his employment was terminated and then approximately  
20 that time, or shortly thereafter, was Mr. Miller then  
21 promoted?

22 A. Yes, I believe so.

23 Q. What was his position, then, when Mr. Miller was  
24 promoted?

25 A. He became the general manager of the nuclear

1 division of the United States Radium Corporation.

2 Q. What were his responsibilities? They were the  
3 same in that position as Mr. Brown's were?

4 A. The responsibilities were the same. He fulfilled  
5 them much more responsibly.

6 Q. Meaning that he communicated to you what was  
7 happening at the plant?

8 A. He was just a better manager. He didn't hide  
9 things. He was great with the job. His technical expertise  
10 was much more realistic than Terry Brown's. And I believe  
11 he did an excellent job with day-to-day operations. He had  
12 great concern to take care of the regulatory aspects of the  
13 company. And I thought was strong in every area. His one  
14 area, I think, where he grew more slowly, would have been  
15 sales and marketing.

16 MR. CHARNOFF: We have gone about two hours. Is  
17 this an appropriate time to take a break or do you want to  
18 go a little bit more?

19 MR. WEISMAN: Let's go off the record and take a  
20 little break.

21 [Brief recess].

22 BY MR. WEISMAN:

23 Q. I think we had been talking about the hiring of  
24 Mr. Miller, and how he was hired and promoted.

25 You said a couple of things about Mr. Miller's

1 skill. You said that his technical expertise was more  
2 realistic than Mr. Brown's. If you could explain to me what  
3 you liked about Mr. Miller's expertise as opposed to Mr.  
4 Brown, just give me a little bit more detail on him.

5 A. Well, Mr. Brown's concept for reducing the tritium  
6 emissions, as well as reasonably achievable, was to pipe  
7 them all through a big water container, building up more and  
8 more emissions. This might have been a novel development,  
9 but to my non-technical mind, it didn't seem to be that  
10 practical.

11 Also Mr. Brown did not seem to really know how to  
12 build gas-fill machinery in a way that would be efficient,  
13 and which would allow tracing and control over the tritium.

14 Mr. Miller, on the other hand, had skilled  
15 mechanical abilities, very down to earth and practical. And  
16 I think that the best measure of Mr. Jack Miller's ability  
17 was that he was able to get the plant up and running. That  
18 is the measure of the man.

19 Q. Another statement that you had made about him was  
20 that he had a great concern with the regulatory aspects of  
21 the company. Could you explain to me what you meant by  
22 that?

23 A. We take, I think, regulatory responsibilities very  
24 seriously, and Mr. Miller, I think, was serious about  
25 regulatory responsibilities in the first place, but was even



1 more sensitized after the American Atomics experience, which  
2 he went through, because he saw firsthand what can happen if  
3 you are not very careful with tritium emissions.

4 Q. So he was, I guess, if I could paraphrase, he was  
5 sensitive to the concerns surrounding the use of tritium?

6 A. I would say regulatory concerns generally. I  
7 think his record bears that out.

8 Q. That's not just limited to tritium, but all of the  
9 regulatory concerns that might be at the site?

10 A. Of course.

11 Q. How long have you known Charles R. White?

12 A. I have known him since I was about ten years old.  
13 So approximately forty years, off and on.

14 Q. You were childhood friends?

15 A. We were not close friends in our early childhood,  
16 but Mr. White's father was a friend of mine when I was  
17 young. He was a famous salesman.

18 Q. Really?

19 A. In the Detroit area. Famous rep. for Ford Motor  
20 Company.

21 Q. Did Mr. White become a good salesman like his  
22 father?

23 A. I think the record bears that out.

24 Q. You have confidence in Mr. White's business  
25 judgment?

1           A.    Could you be a little more specific.

2           Q.    I better go back.  Mr. White's expertise is in  
3 sales?

4           A.    Yes, I think his greatest expertise is sales and  
5 marketing.

6           Q.    Does he have any other business expertise?

7           A.    It is hard for me to evaluate that, but I would  
8 say yes.

9           Q.    Like finances, is he knowledgeable about finance?  
10 I am just picking this out.

11          A.    I am sure he is knowledgeable about financial  
12 operations on a day-to-day basis.  I would not say that he  
13 would be the one that I might pick to negotiate a  
14 complicated bank loan.

15          Q.    But he has day-to-day business knowledge,  
16 day-to-day business finance?

17          A.    Day-to-day operations' knowledge, yes.

18          Q.    Do you know him to be a conservative businessman?  
19 What is his general --

20               MR. CHARNOFF:  Would he vote for Pat Buchanan, is  
21 that what that question means?

22               MR. WEISMAN:  Does he take risks, is he a risk  
23 taker?

24          A.    I think anyone in business is a risk taker.

25          Q.    I guess what I mean is, is he a less risk taker

1       than most, or is he more willing to take a risks.

2               MR. CHARNOFF: Have you made a study?

3               THE WITNESS: I haven't made a study, Mr. Weisman,  
4       that is such a global statement. I think he is prudent. I  
5       would characterize him as a businessman who takes, is  
6       willing to take a prudent risk within the context of small  
7       business.

8               Q.     That's a fair statement. That is kind of what I  
9       was driving at. He will consider the factors and he will  
10      accept risks consistent with prudent business practices; is  
11      that right?

12              A.     Yes, especially within the context of a small  
13      company. You know small companies are more risky than large  
14      ones, generally.

15              Q.     My understanding was that Mr. White -- that he is  
16      a member of the board of directors of USR Industries?

17              A.     Yes.

18              Q.     When did Mr. White get elected to the board?

19              A.     I think around 1981.

20              Q.     Do you recall the reasons why he was asked to join  
21      the board, or how it came that he was elected to the board?

22              A.     He was elected to the board as one who was willing  
23      to serve as a director, and there was a vacancy open, I  
24      believe, at the time.

25              Q.     Was USR Industries seeking someone? Was he

1 selected because of his sales expertise?

2 A. Combination of sales expertise, ability to deal  
3 with the operating aspects of small business.

4 Q. In the last couple of questions and answers, we  
5 were referring to the board, and we are talking about the  
6 board of directors of USR Industries?

7 A. Yes.

8 Q. Have you been associated with Mr. White in  
9 business ventures other than USR Industries?

10 A. No.

11 Q. In some of our discussion earlier today, you  
12 mention Aronson Wolcott and Company as owning stock in U.S.  
13 Radium at about the time Titan Wells began --

14 A. Excuse me. You are going back four or five years  
15 now to U.S. Radium, and in the '70s?

16 Q. Yes, I just want no shift you back there for a few  
17 questions to follow up.

18 When did you first learn of Aronson Wolcott's  
19 ownership of shares in U.S. Radium, if you recall?

20 A. I really can't recall.

21 Q. Can you tell me whether it was before or after  
22 Titan Wells made its first purchases?

23 A. It was probably after.

24 Q. You had mentioned a gentleman by the name of Brian  
25 Burns. I am not exactly sure what his role was. If you can

1 explain that to me.

2 MR. CHARNOFF: What his role was, where and when?

3 BY MR. WEISMAN: What was his relationship to U.S.  
4 Radium around the time, '77 '78?

5 MR. CHARNOFF: The testimony was, and you asked him  
6 that, he had become a stockholder somewhat, more than 5 or  
7 10 percent.

8 A. He also is a lawyer, a corporate lawyer. And he  
9 was asked to serve on the board, I believe, before I was  
10 asked to serve on the board by a few months, and did so.

11 Q. Was he the corporation's General Counsel?

12 A. He acted as special counsel for the corporation  
13 after I became the chief executive officer. Mr. Burns is a  
14 very prominent, highly successful corporate lawyer, who has  
15 positions with several major American companies. But he is  
16 entrepreneurial, at that point at least, that many years  
17 ago, he would serve as the director, or as a lawyer for a  
18 small company. I don't think he would do so today. As a  
19 matter of fact, he doesn't practice law today.

20 Q. The first time you worked with Mr. Burns?

21 A. I believe so.

22 Q. You mentioned he was special counsel for the  
23 company for U.S. Radium when you became chairman and CEO, or  
24 shortly thereafter?

25 A. Yes.

1           Q.    What was the project that he was working on for  
2 the company then?

3           A.    He is an entrepreneurial lawyer who at that time,  
4 to his firm, was asked by clients to review particular  
5 situations with respect to companies. Mr. Burns' firm did  
6 provide advice concerning the environmental litigation which  
7 ensued years later. And now we are jumping years forward  
8 again, but years with the company. He has extremely fine  
9 business judgment.

10          Q.    Can the environmental litigation -- probably we  
11 can explain this tomorrow a little bit, but was that -- what  
12 environmental litigation are you referring to?

13          A.    We are jumping forward several years. It is a  
14 different set of circumstances. We don't go in sequence,  
15 you jump back and forth, it is very hard for me to focus of  
16 events so long ago and get them in a discrete, orderly  
17 presentation.

18                You are now asking about what Mr. Burns did with  
19 advice for environmental litigation with USR Industries. To  
20 focus on that, he acted as his firm acted, as co-counsel  
21 with the law firm of Hannoch, Weisman, in the early 1980s,  
22 when a litigation arose concerning a site in Orange, New  
23 Jersey, which U.S. Radium had apparently operated around the  
24 time of Teddy Roosevelt, and the first World War, which had  
25 been sold about fifty years ago to another party, and which

1 the then owner of the property, T and E Industries, claimed  
2 had residual contamination problem, radium, which caused  
3 higher background levels of radon to exist within the T and  
4 E Industries' plant.

5 Q. Is that what is generally referred to as the  
6 Orange County litigation?

7 A. Yes. This is, of course, extensively documented  
8 in the SEC files of the USR Industries.

9 Q. My co-counsel reminds me that I think in some of  
10 those documents it is referred to as the Orange litigation,  
11 and I said Orange County litigation.

12 A. I heard the Orange.

13 Q. But that's generally what those documents refer  
14 to?

15 A. Yes.

16 Q. You had made a statement -- and I will reset you  
17 and help you get into the right time frame so it will be  
18 easier for you to remember.

19 Now I am going to ask you a question about your  
20 purchase, or Titan Wells' purchase of shares of U.S. Radium  
21 in the '78 to '79 time frame. You had made a statement in  
22 regard to that, pertaining to that purchase, that U.S.  
23 Radium corporation was losing money over the previous five  
24 to seven years, did I misunderstand that; is that correct?

25 A. I think for the previous five years it had loss

1 money, yes.

2 Q. What was it about U.S. Radium, given that it had  
3 been losing money for the previous five years, that made it  
4 seem an attractive investment to you.

5 MR. CHARNOFF: He is not licensed to give  
6 investment advice. Subject to that, I will let him answer  
7 the question.

8 MR. WEISMAN: Thank you.

9 A. Well, the investment seemed to have potential to  
10 improve, if operations could be run better. I had a  
11 background as both an analyst of operations, and as an  
12 actual operator of small businesses myself. And I felt that  
13 it had the potential to do better in the future.

14 Q. What were the factors that made you think that it  
15 would be able to be profitable?

16 A. I felt that the management seemed quite capable in  
17 many respects, even though the record didn't look that good.  
18 I had met them, and it seemed to me they were somewhat held  
19 down by the age of the board of directors as formally  
20 constituted.

21 The situation evolved and was reviewed from time  
22 to time. I began with just a little investment, the way one  
23 makes an investment in a company. You look at the results  
24 from time to time as they go along. I called up and asked  
25 if I could come out and visit the company, and was greeted



1 fairly warmly by the management at the time, and they  
2 impressed me.

3 I thought it was likely the gentleman who was then  
4 the chairman would not be able to serve many more years  
5 because he was already 80. His predecessor was a famous  
6 patent lawyer in New York, I believe, he served until he was  
7 94. But, I did not think it was likely that Mr. Fisher, who  
8 was then the president would serve much longer, and he told  
9 me himself that he planned to retire at some point in the  
10 future.

11 So as the years went along, I got to know the  
12 people, and it seemed to me that there might be potential.  
13 I didn't think the marketing was very good in the company.  
14 I thought there was a better potential for marketing  
15 improvement. Those are the general factors, but that is a  
16 small situation.

17 Q. The impression I am getting is that you thought  
18 that with perhaps a little more leadership, the company  
19 could become more profitable, is that a fair  
20 characterization?

21 A. Yes and no.

22 Q. Tell me about the no part.

23 A. At the beginning I wasn't necessarily looking to  
24 be the leader myself. I was just making an investment, and  
25 these things evolve as you go along. A year can make a huge

1 difference. A single year. You are jumping back and forth  
2 now regularly between decades. What are the changes in the  
3 last year in the world, they are stupendous. I can't  
4 characterize everything I thought, or generalize about what  
5 I thought during the period of several years, because I was  
6 thinking different things at different times.

7 Q. Do I understand you to say that it is hard to  
8 remember, or is it that it is hard to remember at what point  
9 in time something happened?

10 A. I am telling you, and I just have told you, the  
11 general considerations that I had. As I sit here -- as I  
12 sit here and chat about it with you -- let me also draw  
13 attention to the chemical products subsidiary during the  
14 late 1980s, that was suffering from the decline of the  
15 television business.

16 MR. CHARNOFF: You said 1980s, did you mean 1970s.

17 THE WITNESS: I meant 1970s. You are jumping. It  
18 is very hard. In the late 1970s, the division was suffering  
19 from the decline of the television business in the United  
20 States. But at the same time markets were opening overseas,  
21 as the American companies moved their production facilities  
22 outside of the United States, by and large, there was the  
23 potential that if the company could sell phosphorus to the  
24 Japanese, that would open up a fabulous new market.

25 As we know today, it is not particularly easy to

1 sell to the Japanese, especially in their electronics  
2 markets. But there was a large Sony plant being built or  
3 being constructed in San Diego, in Southern California. And  
4 it seemed to me that for political reasons, the Japanese  
5 might buy American, at least for that plant. So that would  
6 be a potential customer to replace Westinghouse, which had  
7 gone out of business in North America.

8 Q. That is a good example. That is the sort of thing  
9 I was looking for.

10 Do you know who were the majority owners before  
11 Titan Wells began making its purchases?

12 A. We were never majority owner. Titan Wells was not  
13 a majority owner. At most it was 23 or 25 percent of the  
14 company.

15 Q. Were there any, before Titan Wells made its  
16 purchases, were there any persons or entities that were  
17 substantial owners?

18 A. I am sure there were. It was a public  
19 corporation, and a tiny little one. So if you can buy for  
20 \$100,000 more than 5 percent of a company, then certainly  
21 you would have over periods of time people that owned over 5  
22 percent, 10 percent of any public company. It would be very  
23 unusual not to have those owners.

24 Q. Were you familiar with any of those persons or  
25 entities, or did you know them?

1           A.     No.

2           MR. CHARNOFF: May I ask Mr. Weisman whether in the  
3 line of questioning here, whether there is anything in the  
4 NRC license files for U.S. Radium corporation that shows who  
5 the stockholders were of U.S. Radium Corporation through the  
6 50s, and '60s, and 70s?

7           MR. WEISMAN: I don't know the answer to that  
8 question.

9           MR. CHARNOFF: Thank you.

10          THE WITNESS: Neither do I.

11          BY MR. WEISMAN:

12          Q.     I just want to clarify. I am not entirely certain  
13 -- did you personally have an interest in 1977 and '78, did  
14 you begin acquiring a personal interest in U.S. Radium, or  
15 was the only interest that we have been talking about the  
16 interest that was owned by Titan Wells?

17          A.     It is so long ago, I just don't want to be held to  
18 a specific answer, but generally Titan Wells would be the  
19 stockholder.

20          Q.     What was your percent ownership of Titan Wells?

21          A.     I think about half. I was a majority owner of  
22 Titan Wells. Just to anticipate what may be confusing you,  
23 all of Titan Wells' ownership of any public company above 5  
24 percent would be important as beneficially owned by me, so  
25 that as an officer of U.S. Radium, the number of shares

1 shown in the beneficial ownership table by my name, would be  
2 the number of shares owned by me and by Titan. The  
3 beneficial ownership of Titan would be attributed to me for  
4 shareholder reporting purposes.

5 Q. That does clarify things. Thanks.

6 Who owned the other 50 percent of Titan Wells?

7 A. It was a public corporation and had scattered  
8 ownership.

9 Q. Does Titan Wells still own shares in U.S. Radium?  
10 I am sorry, does Titan?

11 A. You are coming forward now fifteen years.

12 Q. Correct. Let me rephrase my question. Does Titan  
13 Wells now today own shares in USR Industries?

14 A. No.

15 Q. When did Titan Wells dispose of its ownership  
16 interest in USR Industries?

17 A. That I would have to look up, but it would be  
18 during the 1980s.

19 Q. Sometime --

20 A. Sometime in the 1980s.

21 Q. But that is a matter of public record, is that  
22 right?

23 A. I believe Titan Wells sold or exchanged those  
24 shares of USR Industries that it held with me or other  
25 stockholders in exchange for the repurchase of its own

1 shares.

2 Q. So it was an exchange of shares for shares?

3 A. I believe so. After that share ownership, which I  
4 had, was reported as direct beneficial ownership by me  
5 personally. So the number of shares would drop.

6 Q. I think that is clear. Now I am going to --  
7 something we did talk about a little bit earlier was when  
8 you began to learn about -- we are moving back in time one  
9 more time, but I think this is going to be a pretty much  
10 chronological discussion.

11 A. Okay.

12 Q. This involves -- I know I had asked you before  
13 when you first learned of the contamination on the  
14 Bloomsburg site. You told me you had learned about it by  
15 going onto the site. When was it that there were large  
16 restricted areas posted. My understanding was that was in  
17 the '78, '77, '78, '79 time frame?

18 A. Yes.

19 Q. What I am going to ask you now is before the 1980  
20 reorganization of U.S. Radium, before that was completed,  
21 what did you know about the contamination on the site? Is  
22 it pretty much limited to what you have already told me,  
23 what did you know before the 1980 transaction, what did you  
24 know?

25 A. I think I pretty well described it.

1 Q. So whatever you learned you learned by going on  
2 the site, and that you described earlier, and that was the  
3 extent of your knowledge?

4 A. Well, we talked with employees, because it appears  
5 that a lot of the history of the company is not written  
6 down, and we talked with employees about the situation at  
7 the Bloomsburg site.

8 Frankly, we were concentrating on the tritium  
9 matters, as I discussed. Those were uppermost in every  
10 one's minds, I believe uppermost in the regulatory's mind  
11 itself.

12 MR. CHARNOFF: The regulatory agency?

13 THE WITNESS: Yes.

14 BY MR. WEISMAN:

15 Q. Meaning the NRC?

16 A. Yes, and there is the State of Pennsylvania, which  
17 also has a regulatory interest in the operations of Safety  
18 Light of U.S. Radium.

19 Some of the old-timers describe that there had  
20 been -- we were asking what was in those silos, because they  
21 were fenced off, and we wanted to know what was in them. It  
22 appears that they contained dials, largely which had been  
23 used for airplane operations for airplane pilots to be able  
24 to see their altitude and their atlases at night, and that  
25 some of the dials were rejected for quality control reasons

1 at the plant site.

2 They weren't good dials, but they did contain  
3 markings which had radium impregnated paints on them so as  
4 to be visible at night.

5 I understood they were put into boxes and then put  
6 into these silos.

7 Q. The silos, by that we have heard from other  
8 witnesses. There are structures on the site that are steel,  
9 round steel cylinders essentially set into the ground; is  
10 that what you are referring to as the silos?

11 A. Yes. There are two such silos on the site. I  
12 understand that they are steel cylinders with thick concrete  
13 bottoms. And I was further told that these silos were used  
14 all around the United States, and used all around the world  
15 by the military, the American Government and other private  
16 industry.

17 Q. Who were the people who told you about the silos?

18 A. Largely they would be employees there that had  
19 been there for a long time. The average age of the people  
20 around the plant there is fairly high, and there are a  
21 number of people who have been there for 20 or more years,  
22 30 years, and had oral history about these operations.

23 Q. Do you remember any particular individual  
24 employees who before 1980?

25 A. I think some of them might still be there, but



1 there was a guy who -- I think his name might have been  
2 Burtsavage. I believe he might have been a radium safety  
3 officer at the nuclear division of U.S. Radium. And I  
4 believe he may have supervised the installation of the  
5 silos. He was a well regarded guy who I believe went from  
6 there to a very responsible job in the State of  
7 Pennsylvania, Department of Environmental Protection.  
8 Burtsavage.

9 Q. That is one word, his last name?

10 A. Burtsavage.

11 Q. I have seen documents, and I haven't got any I can  
12 show you, but I will represent to you that I have seen the  
13 name Edward, first name, and Burtsavage.

14 A. I am sorry. I thought it was Burtsavage.

15 MR. TURK: Two separate words. First name Burt.  
16 When I first heard it, that's what I thought to.

17 A. I don't know if he is still living or not, or  
18 whether he is still mentally acute or not. But the guy I  
19 believe was the one who supervised the installation of the  
20 silos. I understand there are a great number of these  
21 around the United States.

22 Q. He told you about them? Did he give you a tour of  
23 the site, if you recall?

24 A. Mr. Fisher gave me a tour of the site, who was the  
25 Chairman of the Board.

1 Q. And Mr. Burtsavage gave you most of the  
2 information?

3 A. I think Jack Miller talked to him. I didn't talk  
4 to him myself.

5 Q. I see.

6 A. I didn't talk to Mr. Fisher myself.

7 Q. Just to be clear, Mr. Miller talked to Mr.  
8 Burtsavage and he related that to you?

9 A. Right.

10 MR. CHARNOFF: I want to relate this to time  
11 periods, though. As I understand it, Mr. Miller came after  
12 the reorganization that you referred to, you are inquiring  
13 about prior.

14 MR. WEISMAN: My understanding is Mr. Miller was a  
15 consultant.

16 MR. CHARNOFF: I have got the years wrong. That is  
17 correct. I am in error. Withdraw that useful comment.

18 THE WITNESS: I think you are in error, Jerry.

19 MR. CHARNOFF: I admit it.

20 BY MR. WEISMAN:

21 Q. Just so we are clear, I understand that you  
22 learned about the silos -- is that Mr. Miller came as a  
23 consultant sometime in late 1979 or early 1980. And he  
24 spoke to Mr. Burtsavage and investigated the silos?

25 A. I heard about the silos before Jack Miller came on

1 the premises. I learned about them when I saw them. When I  
2 went with Mr. Fisher to visit the facilities sometime before  
3 Jack Miller was hired. They're visible to anyone who goes  
4 on the facilities. They are marked, there is a fence around  
5 them about 10 feet high. You can't miss it.

6 Q. And that was how you first learned?

7 A. Yes.

8 Q. Then you learned more from Mr. Miller, who had  
9 spoken to Mr. Burtsavage?

10 A. And others. Mr. Miller as the manager of the  
11 nuclear division was charged with the responsibility of  
12 really taking over, and evaluating the company, the  
13 division.

14 Q. And this was before the August 1980  
15 reorganization?

16 A. Oh, yes.

17 Q. Were you familiar at all, or did Mr. Miller show  
18 you any of the licensing documents before the 1980  
19 reorganization?

20 A. No.

21 Q. Did Mr. Brown ever show you any licensing  
22 documents?

23 A. No. Licensing had not been a problem, as I  
24 recall. This division had been operating since what, 1960,  
25 1950. It had licenses from the AEC and the NRC for forty

1 years, for decades, and I was told that we had, the division  
2 had a very good relationship with the regulatory people,  
3 state and federal; that inspections were taking place on an  
4 annual basis, and the inspection reports the operations were  
5 good.

6 There is nothing in any public document, or in  
7 this that I was told, which indicates that there was an  
8 adversarial relationship with regulatory personnel. It was  
9 my understanding we had a good relationship.

10 Q. But Mr. Miller and Mr. Brown didn't show you the

11 --

12 A. A specific license, no. Highly technical, no,  
13 they didn't show me.

14 Q. When was the August 1980 transaction first  
15 proposed?

16 A. The date on the proxy statement is --  
17 February/March.

18 Q. I do have a proxy statement?

19 A. If you can give it to me, you can circumvent a lot  
20 of speculation.

21 Q. Did you say that proxy statement?

22 A. Proxy and registration statement. That is what  
23 that document is that you have in your hand.

24 Q. This is something else. But you mean the S-14  
25 registration statement?

1 A. S-4, I believe it is --

2 Q. Let me get a copy of that.

3 A. Yes.

4 MR. WEISMAN: I think we will mark this as Exhibit  
5 1.

6 [Deposition Exhibit No. 1  
7 marked for identification].

8 BY MR. WEISMAN:

9 Q. This is the registration and proxy statement that  
10 you were referring to?

11 A. Yes.

12 Q. For the record, this is a document with a title on  
13 it, "Securities And Exchange Commission Washington, D.C. ,  
14 20549 form S-14, Registration Statement Under The Securities  
15 Act Of 1933, USR Industries, Inc. (Exact name of registrant  
16 as specified in its charter.)" The date on document is May  
17 16th, 1980. So this is the registration statement you were  
18 referring to.

19 My question is: Did you ask before or in the  
20 preparation of this registration statement, or before it was  
21 filed -- before this registration statement was filed, did  
22 you ask anyone to evaluate the contamination at the  
23 Bloomsburg site?

24 A. Jack Miller, I believe, did. He was the man in  
25 charge.

1 Q. What did you ask Mr. Miller to do, exactly?

2 A. I think what he did do, and I asked him to do it,  
3 was to come up with an overall view of the operations of the  
4 visit of which he was in charge, and he, I believe,  
5 commissioned an independent expert to evaluate the property.

6 Q. Do you recall who the expert was?

7 A. Wasn't that Radiation Management Company?

8 Q. Okay. Do you recall what the result was?

9 A. Yes.

10 Q. What was the result?

11 A. The result was a good result. We are focusing now  
12 on not the issue of the day, which was the tritium  
13 emissions. That was because things like companies going out  
14 of business and Dan Rather coming to visit, and space-suited  
15 invaders from the Arizona National Guard.

16 We are talking about the grounds of the nuclear  
17 division. Those that had been there for decades, as far as  
18 I know, with little or know changes, and what the RMC report  
19 said, was that in essence there are some areas which need to  
20 be attended to.

21 There is no public health and safety issue, or  
22 matter, at this time, which would generate or require like a  
23 brought force reaction to the problem. It did indicate that  
24 the silos may have had some leakage, but that the leakage  
25 was extremely slow to move. I think it was measured in

1 something like inches per year.

2 The surface contamination, that is readings all  
3 over the place on the surface of the ground, generally were  
4 within specified limits, and as I recall, not much higher  
5 than background in most cases, and the subsurface situation  
6 seemed to be stabilized. So it was a good report.

7 Q. And that was the extent of your knowledge before  
8 the 1980 transaction?

9 MR. CHARNOFF: You shook your head yes.

10 THE WITNESS: I said basically it was, yes.

11 MR. CHARNOFF: Okay.

12 BY MR. WEISMAN:

13 Q. You made the statement before the 1980  
14 transaction, you said we talked with employees. Who is the  
15 "We"?

16 A. Members of the committee, basically Jack Miller.

17 Q. Jack Miller and you?

18 A. I talked with Bud Fisher, Chairman of the Board.

19 Q. You also had made a statement that we concentrated  
20 on tritium issues, again you are referring to the "we" as a  
21 corporate --

22 A. The primary concern, the most immediate concern of  
23 the employees of United States Radium Corporation at that  
24 time, especially the management of the nuclear division, was  
25 the operation and the level of tritium emissions.

1           We did have a concern that the grounds would be in  
2 order, and that is why a recognized independent consulting  
3 firm was brought in at considerable expense to advice. And  
4 I think we got the company a good report from the RMC. You  
5 have been provided with the RMC report.

6           Q.   Yes, we have it.

7           A.   I am characterizing it, but it has been awhile  
8 since I have looked at it. That is my understanding.

9           Q.   I wanted to make sure it was clear on the record,  
10 when you were saying "we." You were referring to the  
11 corporate officers and corporate employees?

12          A.   Yes. I am not positive that there was no concern  
13 for the grounds. That is just like I am not positive there  
14 was no concern for the health/physics aspect for the  
15 employees.

16          In fact, United States Radium Corporation has  
17 spent considerable amounts of money dealing with the  
18 health/physics aspects of the employees. Just the immediate  
19 few years. These are considerable amounts for a small  
20 company. Remember the company was small. It is not  
21 generating a great deal of money on a cash flow basis, and I  
22 think it acted extremely responsible.

23          Q.   I understand from your testimony that when you say  
24 we were concerned with the grounds, that was why you had the  
25 RMC study done, is that right?



1           A.    Sure.

2           Q.    You were, of course, also satisfying your license  
3 conditions for health physics for the employees.

4           Q.    I am going to ask you a little bit about -- and I  
5 am going to be referring to the May 1982 transaction, and  
6 that is the sale of Safety Light Corporation to Jack Miller,  
7 and Rick White, and David Watts by USR Industries. So when  
8 I refer to the May 1982 transaction, that's what I am  
9 talking about.

10                   When was the May 1982 transaction first proposed?

11           A.    I can't recall exactly. It would have been some  
12 months before it was consummated.

13           Q.    Do you recall who proposed the sale?

14           A.    Jack Miller called me and indicated to me that he  
15 had heard about it, and read about the restructuring in 1982  
16 form, USR Industries, and its subsidiary corporations.

17                   He also knew that other operations, including, I  
18 believe, a part of the nuclear division, and I know for  
19 certain the assets of the medical product division of the  
20 old U.S. Radium had been sold. The medical products  
21 division being sold in 1976, I believe, and Jack said that  
22 if the company would be interested in divesting the Safety  
23 Light Corporation, that he would like to be considered as a  
24 part of a management and ownership team for it.

25           Q.    You mentioned that part of the nuclear division

1 had been sold previously?

2 A. I believe that --

3 MR. CHARNOFF: Did you say -- part of which  
4 corporation?

5 MR. WEISMAN: Part of the nuclear division.

6 MR. CHARNOFF: Okay.

7 A. I believe certain operations were sold to,  
8 similarly, to officers, operating officer David McGurbal, I  
9 believe, was the name of the guy. This is before my time.  
10 Anyway, Jack knew about it, because he was  
11 operating the division and operating the subsidiary, and he  
12 found out from people that worked there about the oral  
13 history.

14 Q. That was my next question was when --

15 A. That was before my time. So was the sale of the  
16 assets to GAF to the medical products division of U.S.  
17 Radium Corporation. That was before I had any involvement  
18 in it whatsoever. Anyway, Jack felt if there was a  
19 possibility that the company might consider selling this  
20 subsidiary he would certainly like to be a part of it.

21 Q. Did you have, prior to the sale to Mr. Miller and  
22 his partners, did you have any additional knowledge about  
23 the contamination on the site and the soiling at that time.

24 MR. CHARNOFF: You mean beyond that which he  
25 described?

1           MR. WEISMAN: Beyond what you described  
2 previously.

3           A. I think basically the rather extensive independent  
4 study which was commissioned by the management about RMC, a  
5 copy of which you have, was the basic guide as to the  
6 property.

7           There was ongoing improvement of the health  
8 physics all the way along during these years with  
9 substantial amounts being spent every year for health  
10 physics. New regulations coming in, especially with Jack  
11 Miller, because I think he was quite conscious of the need  
12 to formalize relationships and testing procedures. Around  
13 this time, wells were drilled to establish whether any  
14 contamination was moving around under the surface.

15           A great number of wells were drilled, and  
16 analyzed, and at the same time an extensive program was  
17 undertaken to analyze plants, living animals, such as  
18 squirrels and the water in the Susquehanna river, and frogs.  
19 Because frogs get down in the pluck and absorb a lot of  
20 whatever contamination there might be into their skin  
21 because they are living in the mud. These programs all went  
22 forward.

23           Generally the reports to me were that the results  
24 were very good.

25           Q. Am I understanding you to say this was an

1 additional program other than what had been done by RMC?

2 A. It is in addition to what was suggested by RMC. I  
3 think the taking of life animal specimens was quarterly.  
4 There were regular catches to measure any contamination  
5 within frogs and squirrels and other wildlife, as well as  
6 plants to see if there is any contamination. It was done by  
7 -- all tested by independent labs at great expense to the  
8 company.

9 Q. Who was doing this? Was it the company that was  
10 doing this?

11 A. I think it was in some cases, company employees,  
12 and other cases, employees of independent consulting  
13 companies.

14 Q. I am familiar with the study done by Oak Ridge  
15 Associated Universities, which they go by the acronym, ORAU.

16 A. I can't remember whether that was done. Whether I  
17 am talking about the RMC study, and the section samples were  
18 addressing tritium contamination predominantly.

19 Q. Let's go off the record just a minute.

20 [Discussion off the record]

21 BY MR. WEISMAN:

22 Q. We will mark for identification a document as  
23 Exhibit 2. This is a document entitled, "Listing  
24 Application No. 12145, American Stock Exchange, Inc," and  
25 has the date stamped on it "February 11, 1981." Let me make

1 a few connections to refute it.

2 [Deposition Exhibit No. 2  
3 marked for identification]

4 A. It has the proxy statement in it. This is the  
5 same prospectus, and this is the same document as is  
6 contained on Page 1 of the S-14.

7 Q. I will ask, and this is just out of ignorance. I  
8 see that the letter on the proxy statement in the S-14 is  
9 dated May 28, 1980 and the letter on the proxy statement  
10 attached to the listing application is dated July 11, 1980.  
11 Are they identical, if you know?

12 A. I believe that they are substantially identical.

13 Q. Was the proxy statement dated July 11?

14 A. If you look at United States Radium proxy  
15 statement, and Page 3 of the listing application by the same  
16 title, I believe they are the same document there.

17 Q. That's fair enough. I am going to use -- when we  
18 are going through it, we will go through the proxy statement  
19 attached to the listing application.

20 MR. CHARNOFF: That is Exhibit 2?

21 MR. WEISMAN: That is Exhibit 2.

22 MR. CHARNOFF: Okay.

23 Q. I am going to ask you about Exhibit 2.

24 A. Exhibit 2 is what?

25 MR. CHARNOFF: The stock exchange listing

1 application.

2 BY MR. WEISMAN: The stock exchange listing  
3 application together with the proxy statement.

4 MR. CHARNOFF: Okay?

5 THE WITNESS: Yes.

6 BY MR. WEISMAN:

7 Q. I will represent to you that I OBTAINED this from  
8 the American Stock Exchange. Is this a true and correct  
9 copy?

10 MR. CHARNOFF: We are going to take your  
11 representation. We are not going to compare pages of copies  
12 you don't have. If you represent you took it from them we  
13 will take it.

14 MR. WEISMAN: You will stipulate to the  
15 authenticity?

16 MR. CHARNOFF: If you represent that to be true,  
17 we are not going to quarrel with you.

18 MR. WEISMAN: I am going to ask you if you could  
19 look and see if you produced this document on discovery.

20 MR. CHARNOFF: If you told me it came from our  
21 files, we will stipulate authenticity. If you tell me the  
22 American Stock Exchange, we will agree that it is authentic.

23 MR. WEISMAN: Great. I got it from the American  
24 Stock Exchange.

25 MR. CHARNOFF: But if you are lying, this whole

1     thing is a sham.

2                 MR. WEISMAN:   You may rely on me that I am not  
3     lying.

4                 MR. CHARNOFF:   I will rely on it.

5                 MR. WEISMAN:   I have the envelope from the  
6     American Stock Exchange that it came from.

7                 MR. CHARNOFF:   Let's go.

8                 BY MR. WEISMAN:

9                 Q.    We are looking at the proxy statement.   If you  
10     could briefly describe for me how U.S. Radium was  
11     reorganized in 1980?

12                A.    The forming of United States Radium was basically  
13     reorganized to establish its former divisional operations as  
14     corporate subsidiaries of a new holding company.   The new  
15     holding company was called USR Industries, Inc.

16                Q.    How were those --

17                A.    Specifically because each plant was in a separate  
18     location and had separate internal management, separate  
19     product lines and basically separate businesses, it seemed  
20     appropriate, and it was very easy administratively to  
21     incorporate each of the divisions.   The assets of each  
22     division were contributed to separate corporations which  
23     were subsidiaries of the new holding company, USR  
24     Industries, Inc.

25                Q.    When were those separate subsidiary corporations

1 incorporated?

2 A. Simultaneously with the approval of the  
3 stockholders at the meeting. The new corporations were set  
4 up prior to approval and the assets were transferred in to  
5 them.

6 Q. So the separate corporations were actually  
7 incorporated prior to this transaction?

8 A. Prior to approval of the transaction. With the  
9 expectation the transaction would be approved, they were set  
10 up, and there was a diagram that shows exactly how that was  
11 done, pages 14 and 15 of the proxy statement.

12 Page 14 shows the various divisions. Bear in mind  
13 some of those were totally inactive, and some of them were  
14 active, and page 15 shows how USR Industries and its  
15 subsidiaries existed immediately after the transaction when  
16 the various divisional assets were contributed into  
17 corporate subsidiaries of USR Industries. Each one went  
18 into its own natural corporate home.

19 In other words, the chemical products division  
20 became USR Chemical Products, Inc.; the lighting products  
21 division began USR Lighting Products, Inc.; the metals  
22 division became USR Metals; and the atomic became Safety  
23 Light Corporation.

24 You have on page 15 two other entities which were  
25 inactive or subsequently became inactive. They are U.S.



1 Natural Resources, which was never active and never had any  
2 assets in it; it was just a corporation established with  
3 what we thought was a great name, and it was purely inactive  
4 at that time, and at all times in the future. The Funding  
5 Corporation was used for a while, but no business  
6 transactions were ever undertaken under Funding, so it  
7 became inactive.

8 So basically the corporate subsidiaries after the  
9 new holding company was formed that were active are USR  
10 Chemical Products, USR Lighting, and USR Lighting and Safety  
11 Light.

12 Q. You used the word "contributed" to explain how the  
13 assets were moved to each subsidiary. How exactly was that  
14 done? Did the assets for each plant or each division, did  
15 it move, go from United States Radium? Did those assets get  
16 transferred from United States Radium to USR Industries and  
17 to the subsidiaries?

18 A. No, they were transferred into the subsidiaries.

19 Q. Directly?

20 A. Yes.

21 Q. From U.S. Radium?

22 A. Yes.

23 Q. Did U.S. Radium receive any payment for the  
24 transfer of those assets?

25 A. This was done as set forth there in an overall

1 transaction, whereby the United States Radium Corporation in  
2 effect became Safety Light Corporation, because it was  
3 merged through a reverse triangular merger into its  
4 successor, Safety Light Corporation, and the divisional  
5 assets were contributed to corporate subsidiaries of USR  
6 Industries.

7 The technical way that this worked is set forth  
8 with particularity throughout this document.

9 Q. There are a few things that I don't completely  
10 understand, and I just need to explore that with you.

11 The subsidiary corporations -- USR Chemical  
12 Products, USR Lighting, USR Lighting products, USR Metals  
13 and U.S. Natural Resources -- was USR Industries the  
14 incorporator of those companies, if you know?

15 A. USR Industries is the parent of them and owned 100  
16 percent of their stock. They were wholly-owned  
17 subsidiaries.

18 Q. So in 1980 USR Industries incorporated these  
19 companies; is that right?

20 A. The subsidiary corporations.

21 Q. All right. And owned 100 percent of the stock?

22 A. Of each of them.

23 Q. Of each of these subsidiaries?

24 A. Yes.

25 Q. The ones I named in the question.

1           When we are referring to the subsidiaries, we are  
2 referring to USR Chemical Products, USR Lighting, and USR  
3 Resources?

4           A.    And Safety Light Corporation.

5           Q.    For the record, I am going to refer to those four  
6 companies and not Safety Light as the subsidiaries.

7           A.    How can you do that? That is incorrect.

8           Q.    All right.

9           A.    Look at that diagram on page 15. Do you see  
10 Safety Light Corporation in the lower left-hand side listed  
11 as a --

12          Q.    I am sorry; I can't understand. I understand U.S.  
13 Radium was a corporation; it incorporated a subsidiary. I  
14 understand that from this document called USR Industries.  
15 USR Industries, I understand your testimony to be,  
16 incorporated several other subsidiaries before this  
17 transaction?

18          A.    Simultaneously with the transaction.

19          Q.    Let me refer you to --

20          A.    If you will look, maybe this will help you on page  
21 15 where it says: "It is contemplated that after the merger  
22 the Corporation will transfer all of its businesses, except  
23 the safety lighting products business to four new subsidiary  
24 corporations." It names them. Those are the subsidiaries  
25 that were named. Safety Light Corporation was United States

1 Radium Corporation renamed. It is set forth very  
2 specifically on page 15.

3 The second sentence on page 15 and the following  
4 sentence I think set forth clearly and unambiguously how  
5 this transaction was structured.

6 Q. The second sentence on page 15?

7 A. Right.

8 MR. CHARNOFF: Starting with "As explained."

9 MR. WEISMAN: "As explained below in more detail,  
10 the consummation of the merger will result in a new  
11 corporate entity, USR Industries, Inc. (industries) having  
12 the Corporation" --

13 MR. CHARNOFF: That is referencing U.S. Radium  
14 corporation.

15 MR. WEISMAN: That is my understanding.

16 MR. CHARNOFF: Right.

17 BY MR. WEISMAN:

18 Q. "As its wholly-owned subsidiary."

19 I think you refer --

20 A. When I refer --

21 Q. You referred to a reverse triangular merger?

22 A. My understanding is that this, within the USR  
23 Lighting, and Chem, and Unatco, this structure is described  
24 generically as a reverse triangular merger. Regardless, if  
25 you read those two sentences, and look at the diagram on

1 page 15 it sets forth absolutely clearly what happened.

2 Q. Let me explain to you what is not clear to me, and  
3 maybe you can help me out and make it clear.

4 A. Okay.

5 Q. It appears to me -- and I was looking for a  
6 portion in this document -- but I will represent to you that  
7 there is a document that describes that in May of 1980 U.S.  
8 Radium incorporated a subsidiary, and the name of that  
9 subsidiary was USR Industries, Inc. USR Industries, Inc,  
10 incorporated another subsidiary which was called Industries  
11 or Merger Company?

12 A. Yes.

13 Q. Merger Company would then -- the plan was Merger  
14 would merge with U.S. Radium. And U.S. Radium would thus  
15 become the subsidiary of USR Industries, Inc.?

16 A. That's correct. That's correct. Then the assets  
17 of the former U.S. Radium were contributed laterally into  
18 these four subsidiaries, leaving the business assets --

19 Q. Slow down.

20 A. -- leaving the safety lighting products where they  
21 have been.

22 Q. We are missing a step. Where I am confused is I  
23 don't know where the other four subsidiaries -- I see where  
24 U.S. Radium was incorporated. That was, according to this  
25 document, back in 1917, I believe. I see this on page 14.

1 I know when USR Industries was incorporated: I do  
2 not know when the other four subsidiaries -- USR Chemical,  
3 USR Lighting, and U.S. Natural Resources -- I do not know  
4 when they were incorporated or who the incorporators were.

5 What I am asking you is: Do you know when they  
6 were incorporated?

7 A. I would say if you look at the proxy statement,  
8 you will find the answer. The answer is really irrelevant  
9 because the new subsidiaries were incorporated as part of  
10 this transaction and basically simultaneously with it.

11 What is the relevance of your inquiry?

12 Q. I just want to understand how the transaction was  
13 accomplished.

14 A. You have just summarized it absolutely accurately.

15 MR. CHARNOFF: He just said it all occurred at the  
16 same time?

17 THE WITNESS: Your summary was accurate.

18 BY MR. WEISMAN:

19 Q. I will represent to you I have seen a document  
20 referring to one of the subsidiaries -- I don't know which  
21 one -- that states that subsidiary was incorporated in the  
22 summer of 1979, a year before this transaction was --

23 A. You are probably referring to U.S. Natural  
24 Resources.

25 Q. All right. And there were three. I will

1 represent to you there were three incorporators that owned  
2 the stock. What I want to know is: How was control of U.S.  
3 Natural Resources -- we will assume that is what it is.

4 A. They would be contributed. They had no assets;  
5 they would contributed to the new parent, by operation of  
6 law.

7 Q. That was done simultaneously with this  
8 transaction?

9 A. Yes.

10 Q. Okay. That makes it clear.

11 A. I am sorry. U.S. Natural Resources, that was a  
12 shell which may have been incorporated earlier. The rest of  
13 these operating subsidiaries were all created at the same  
14 time as part of this transaction. There was a shell which  
15 existed earlier, U.S. Natural Resources.

16 MR. WEISMAN: I want to go off the record for a  
17 minute.

18 [Discussion off the record]

19 BY MR. WEISMAN:

20 Q. Just to be clear, I will make sure, and describe  
21 it one more time to make sure that I understand how it was  
22 done.

23 That was U.S. Radium incorporated a subsidiary,  
24 USR Industries. USR Industries incorporated its subsidiary  
25 a Merger Company. This was in May of 1980. Upon approval

1 of the plan given in the proxy statement, the Merger Company  
2 merged with U.S. Radium, thereby making U.S. Radium the  
3 subsidiary of USR Industries?

4 A. Correct.

5 Q. Simultaneously the stock of any shell corporation  
6 would have been contributed to USR Industries, and also  
7 simultaneously the assets of each operating division was  
8 contributed to each shell corporation?

9 A. Which represented the appropriate relationship to  
10 each division's operations. So the chemical division became  
11 the Chemical Corporation; the lighting division became  
12 Safety Light Corporation; the lighting division became  
13 Lighting Products, et cetera.

14 Q. So that description is correct?

15 A. It is absolutely correct.

16 Q. Great. I guess the bottom line is, there is a  
17 sentence on page 16 that says: "Following this  
18 rearrangement, shares of Common Stock of Industries will  
19 represent the same interest and the same assets as shares of  
20 Common Stock of the Corporation" -- meaning U.S. Radium --  
21 "now represent."

22 A. Correct. There is a one-for-one ratio of the  
23 newly created shares of the new holding corporation, USR  
24 Industries, for the shares of the former United States  
25 Radium Corporation.



1 Q. I will refer you to page 18, and there is a  
2 heading: "Directors, Officers and Employees." Immediately  
3 above that there is a paragraph which I am going to read.

4 It says: "No determination has yet been made  
5 regarding the method of transferring the common stock of  
6 Chemicals, Lighting, Metals and Resources and Unatco to  
7 industries, but the transfer could be made as a dividend on  
8 the Corporation's common stock. Stockholders will now be  
9 afforded an opportunity to approve the transfer the  
10 corporation's businesses to subsidiary corporations or the  
11 transfer of the common stock of Chemicals, Metals, Resources  
12 and Unatco to Industries."

13 Is that consistent with what we have just  
14 described, how it in fact worked?

15 A. Totally.

16 Q. I am also interested in that last statement there  
17 and the statement on page 19 at the bottom of the page, the  
18 last sentence on the page. "In the event the Agreement is  
19 terminated, the Corporation may still transfer its  
20 businesses to subsidiary corporations as described above."

21 Let me tell you what I understand, and you tell me  
22 if that's right or not. The idea there is the agreement is  
23 for the Corporation, that is U.S. Radium, to merge into the  
24 Merger Company and become the subsidiary of USR Industries.  
25 But if that agreement is terminated without being executed,

1 U.S. Radium is still going to form subsidiaries and  
2 transfer?

3 A. I think it had the right to do so. I am not  
4 saying it had the intention to do so.

5 Q. All right.

6 A. However, any time you have a public company -- and  
7 after all, remember I was a stockholder in a very small  
8 company, but I certainly didn't control it. I couldn't  
9 guarantee that even if I voted for this transaction that it  
10 would in fact be approved by stockholders. Maybe some  
11 stockholder doesn't like it. Maybe the majority doesn't  
12 like it. Who knows.

13 But after having done the work and the analysis,  
14 and seeing the logic and the need for having the former  
15 divisions be operated as separate subsidiary corporations, I  
16 think it was prudent to include the sentence at the bottom  
17 of page 19 which spoke to the possibility that stockholders  
18 did not approve the transaction as it was presented.

19 Q. As I understand it then, the idea is U.S. Radium  
20 would have the right to set up subsidiaries and transfer the  
21 assets of each division into a separate subsidiary?

22 A. I believe the stockholders were put on notice that  
23 U.S. Radium had that right as a matter of corporate law. I  
24 don't believe you need stockholders' approval.

25 Q. That would be the case whether the stockholders

1 just didn't approve the agreement, or if the corporation --

2 A. You never know what is going to happen. Some guy  
3 may come in, a striped-suit lawyer comes in, "I own stock of  
4 U.S. Radium, pay me off or pay my lawyer, or whatever."

5 MR. CHARNOFF: I think the paragraph will speak  
6 for itself. The only thing it is speaking to is not where  
7 the stockholders reach agreement, it is speaking to the  
8 situation where the stockholders confirmed the agreement,  
9 but the board of directors terminates the agreement.

10 MR. WEISMAN: We are referring to paragraphs on  
11 page 18 and 19. I think if you will look and see the one on  
12 page 18 covers where the agreement is rejected, and the one  
13 on 19 covers where the stockholders accept the agreement or  
14 approve the agreement but the board of directors decide it  
15 is not in the best interest?

16 MR. CHARNOFF: I don't want to quarrel with you.  
17 I don't think the paragraph on page 18 talks about  
18 stockholders' approval. It simply says that if you do the  
19 approval that is requested here, then the method of  
20 transferring the stock will be done without further  
21 stockholder approval.

22 THE WITNESS: Absolutely. I want to point out I  
23 wasn't referring to page 18. I was referring the top of  
24 page 19 only when I answered that question.

25 MR. CHARNOFF: Yes.

1 THE WITNESS: I think that speaks for itself.

2 MR. CHARNOFF: Your reading of page 18 is wrong;  
3 your prior reading of page 18 is wrong.

4 THE WITNESS: I was looking at page 19 only.

5 MR. WEISMAN: We want to make the record clear.

6 MR. CHARNOFF: That last paragraph only talks  
7 about the circumstances where the stockholders approve and  
8 the board of directors deems it inadvisable to proceed. It  
9 speaks for itself.

10 MR. WEISMAN: All right.

11 BY MR. WEISMAN:

12 Q. As I understand -- and correct me if I'm wrong --

13 MR. CHARNOFF: Off the record.

14 [Discussion off the record]

15 THE WITNESS: These are not earthshaking parts of  
16 this document.

17 MR. WEISMAN: I just want to understand how the  
18 document works. That's what we are here for today.

19 THE WITNESS: Yes, sir.

20 MR. CHARNOFF: Okay.

21 BY MR. WEISMAN:

22 Q. I want to understand how the thing was structured.

23 Can you describe for me what advantage there was  
24 to restructuring in the fashion described here and  
25 illustrated on page 15 as opposed to U.S. Radium simply

1     forming subsidiaries and contributing the operating  
2     divisions to the appropriate subsidiary?

3           A.     I really can't get into a long theoretical  
4     discussion on what we didn't do as directors in 1980, except  
5     to say that I believe the board felt it would be a good idea  
6     to start with a new holding company, and a new name, a new  
7     entity. It did follow the fashionable idea at the time,  
8     which was called an alphabet soup name.

9           Maybe this wasn't a very good name because it  
10    implies a connection with the United States Radium  
11    phonetically which does not exist legally, and that can be  
12    confusing.

13           But the desire was to start fresh, a brand-new  
14    holding company with a different name that indicated, as was  
15    common at the time, that the company's operations were  
16    diversified or conducted through subsidiary corporations and  
17    that the new structure would be an appropriate platform for  
18    possible further changes and evolution of the corporation.

19           Q.     I guess I am not entirely sure why it is  
20    advantageous to start with a fresh holding corporation.

21           A.     The statement speaks for itself. This structure  
22    was adopted because it seemed appropriate to the  
23    circumstances.

24           Q.     And that's the only reason that you know of why it  
25    is advantageous?

1           A.    That's a pretty good reason.

2           [Whereupon, at 5:35 p.m., the deposition was recessed  
3 to reconvene at 10:10 a.m. the next day.]

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